



OFFICE OF RESEARCH AND EDUCATION ACCOUNTABILITY

TENNESSEE PROMISE: 2022 UPDATE



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Introduction

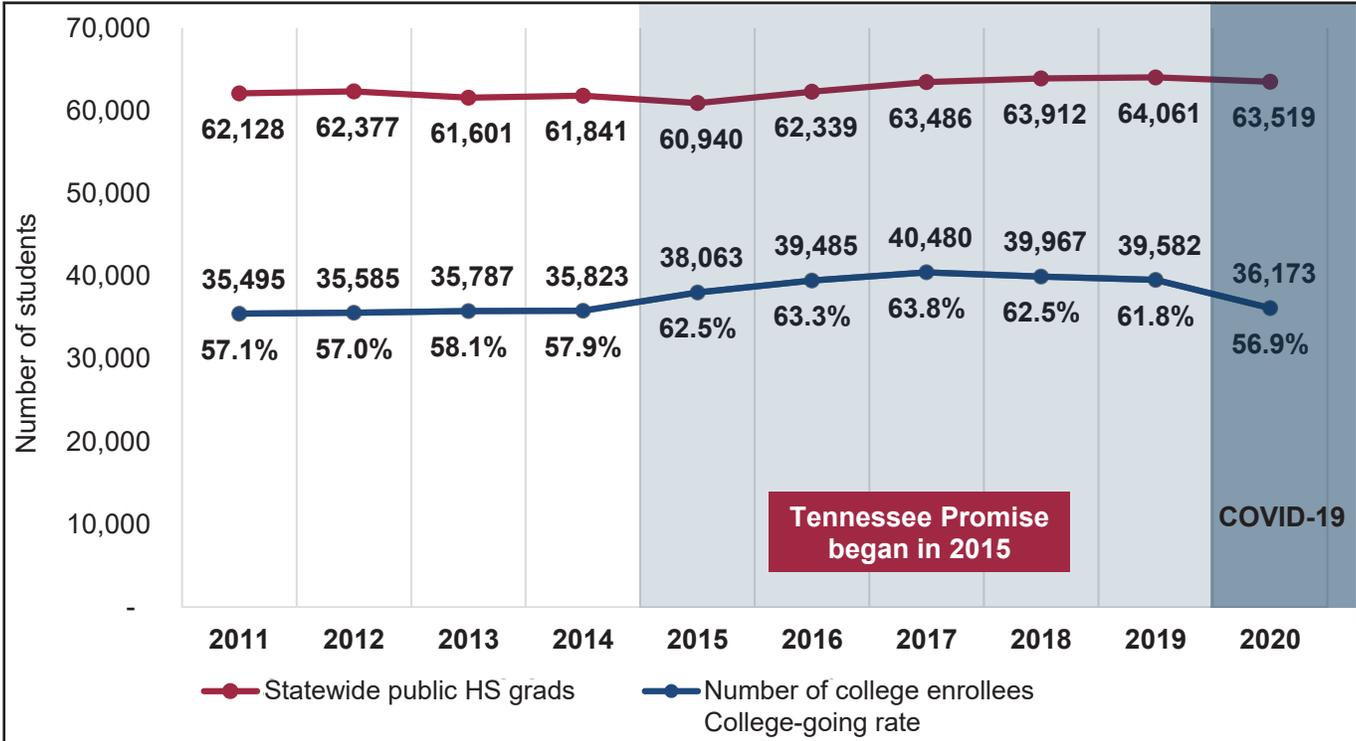
Established by the Tennessee General Assembly in 2014, the Tennessee Promise Scholarship gives recent high school graduates the opportunity to earn an associate degree or technical diploma free of tuition and mandatory fees. To date, seven cohorts of students have enrolled in college as part of the Promise program, beginning in fall 2015. Cohort 8 will enroll in college in fall 2022. This brief provides a program update and analysis of key metrics that measure the program’s success in increasing college access and completion among recent high school graduates.

TCA 49-4-708(f) requires the Comptroller’s Office of Research and Education Accountability (OREA) to review, study, and determine the effectiveness of Tennessee Promise on an ongoing basis. See <https://tncot.cc/orea> to read OREA’s previous reports on the program. OREA anticipates releasing its next evaluation of the Tennessee Promise Scholarship in 2024.

Tennessee’s college-going rate has been declining since 2017, reaching a 10-year low in 2020.

Tennessee’s college-going rate has declined since 2017, when it reached 63.8 percent after a three-year increase following the implementation of Tennessee Promise in fall 2015.¹ From 2014 (the year before Promise began) to 2017, the college-going rate increased by 5.9 percentage points. The college-going rate decreased by 2 percentage points from 2017 to 2019 before dropping an additional 4.9 percentage points in fall 2020. This decrease can be partly attributed to the COVID-19 pandemic’s impact on students’ college-going plans. In 2020, Tennessee’s college-going rate (56.9 percent) was the lowest of the past 10 years. See Exhibit 1.

Exhibit 1: Tennessee’s college-going rate has been declining since 2017, reaching a 10-year low in 2020



Notes: (1) The college-going rate includes public high school graduates who enroll in college (in or out of state) the summer or fall immediately following high school graduation. (2) The college-going rate for a given year is subject to change as additional data become available. As a result, the rate shown in this exhibit may differ from previous OREA reports.

Source: OREA analysis of data from Tennessee Higher Education Commission Factbooks, 2016 and 2021.

¹ The college-going rate includes public high school graduates who enroll in college (in or out of state) the summer or fall immediately following high school graduation.

Some Promise requirements were waived or adjusted due to the effects of the COVID-19 pandemic.

Promise students were allowed to request a leave of absence due to the effects of COVID-19 in the spring 2020 through summer 2021 semesters.

Under program rules, Promise students are eligible to request a leave of absence from timely, full-time, or continuous enrollment for personal or medical reasons or for extraordinary circumstances beyond their control when attendance by the student creates a substantial hardship.² Promise students are required to enroll in at least 12 credit hours each semester beginning the fall semester immediately following high school graduation. Failure to do so, without an approved leave of absence, results in permanent loss of Promise eligibility.

Starting in April 2020, the Tennessee Student Assistance Corporation (TSAC) issued a series of memos to institutions stating that the COVID-19 pandemic constituted an extraordinary circumstance, thus providing sufficient reason for Promise students to be granted a leave of absence.³ Promise students were still required to follow their campus's process to request a leave of absence but were not required to submit an appeal or provide additional documentation to justify why the pandemic caused their break in enrollment.

Starting in spring 2020, the mandatory mentor meeting was hosted as a virtual webinar for cohorts 6 through 8.

Promise applicants can view the 40-minute webinar and answer corresponding questions at their convenience before a deadline. Previous cohorts of Promise applicants were required to attend an in-person mandatory meeting on a specified date and time, typically after the school day in their high school. Failure to complete this requirement results in permanent loss of Promise eligibility.

The community service requirement was waived for the summer 2020 through summer 2021 semesters.

Under program rules, Promise applicants and students are required to complete eight hours of community service prior to each semester they participate in the program.^{4,5} For example, the high school graduating class of 2020 would have been required to complete community service by July 1, 2020, prior to enrollment as Promise students in the fall 2020 semester. Promise students who were already enrolled in college would also have been required to complete community service by July 1, 2020, in order to maintain Promise eligibility in the fall 2020 semester. Failure to complete the required community service results in permanent loss of Promise eligibility.

Otherwise eligible students in cohort 6 were allowed to enroll in fall 2021 as Promise students.

In March 2021, TSAC issued a memo to Promise-eligible postsecondary institutions regarding gap year eligibility for cohort 6 (i.e., students who graduated from high school in 2020 who were otherwise required to enroll in college in fall 2020). Students in cohort 6 who applied for Tennessee Promise and completed the Free Application for Federal Student Aid (FAFSA) by the respective deadlines during their senior year of high school but did not enroll in college in the 2020-21 academic year were eligible to enroll in fall 2021 as Promise students.⁶ Such students were also required to file the FAFSA and complete community service by

² TSAC Rule 1640-01-26-.06.

³ TSAC memorandums to eligible postsecondary institutions, April 6, 2020, July 15, 2020, October 14, 2020, March 22, 2021.

⁴ TSAC Rule 1640-01-26-.07.

⁵ Promise *applicants* are seniors in high school who have filled out a Promise application and are in the process of completing all application requirements. Applicants are considered Promise *students* once they enroll in college.

⁶ Students in cohort 6 were required to complete the Promise application by November 1, 2019, and the FAFSA by February 7, 2020.

July 1, 2021.⁷ Under normal program rules, Promise students are required to enroll in college the fall semester immediately following high school graduation. Failure to do so, without an approved leave of absence, results in permanent loss of Promise eligibility. According to the Tennessee Higher Education Commission (THEC), 529 students from cohort 6 enrolled in college in fall 2021 as a result of the gap year eligibility.⁸

For cohort 7, the Promise application and FAFSA filing deadlines were extended by one month.

High school seniors are required to fill out a Promise application in the fall and file the FAFSA by a spring deadline in their senior year to be eligible for the program.⁹ The Promise application deadline was extended from November 2 to December 1, 2020, and the FAFSA deadline was extended from February 1 to March 1, 2021. Failure to apply for Promise or file the FAFSA by the deadline results in permanent loss of Promise eligibility.¹⁰

Cohort 6, which began college in fall 2020, was the largest Promise cohort to enroll in college since the program began in fall 2015. This may be partly due to moving the mandatory mentor meeting online and waiving the community service requirement.

Despite personal challenges experienced by students during the pandemic, changes to Promise application requirements appear to have positively impacted participation. For example, moving the mandatory meeting online and waiving the community service requirement likely increased the number of Promise applicants and students who remained eligible for the program.

OREA's July 2020 *Tennessee Promise Evaluation* found that attending the mandatory meeting and completing eight hours of community service were the two most common reasons why Promise applicants did not become eligible for the program. See Exhibit 2.

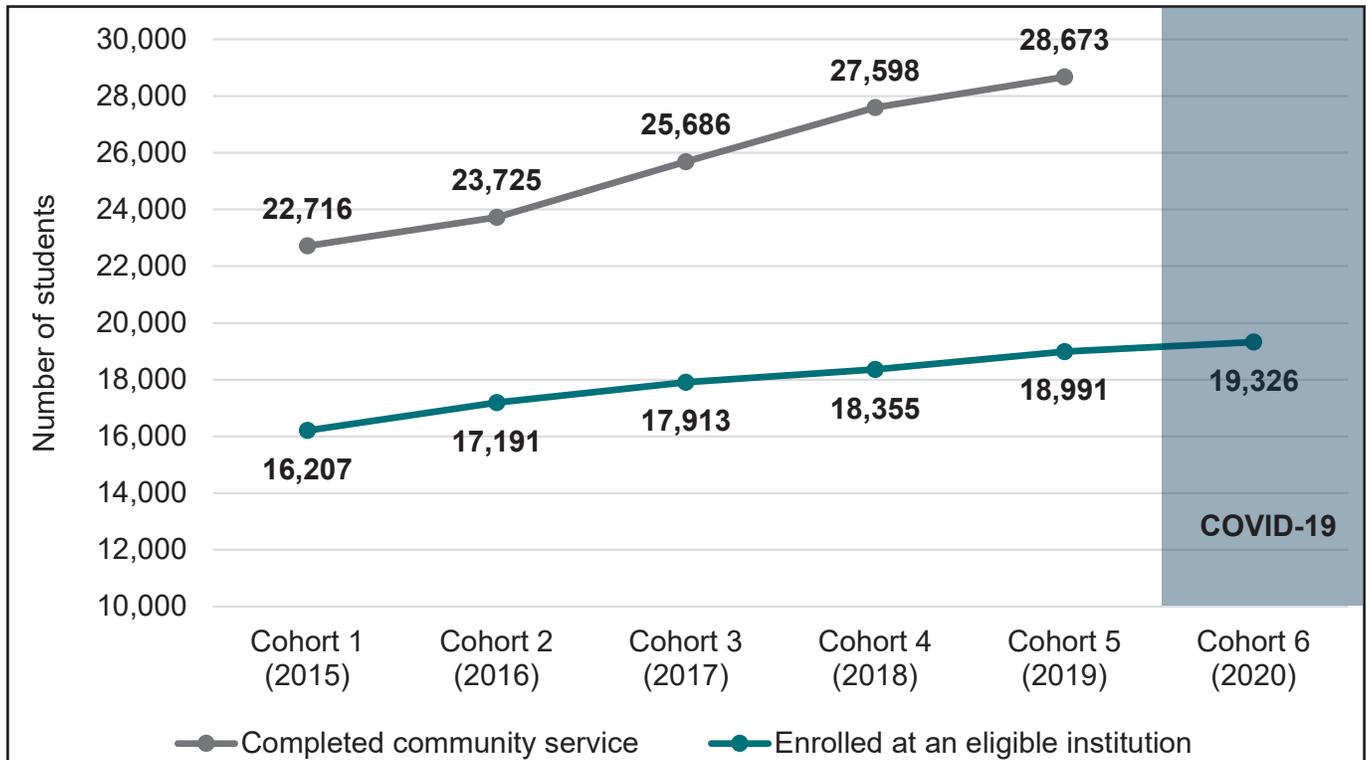
⁷ Students who completed community service for the fall 2020 semester but did not ultimately enroll in college were not required to resubmit community service hours for fall 2021.

⁸ This is a preliminary figure and is subject to change. THEC will verify and publish finalized data for the 2021-22 academic year in fall 2022.

⁹ TSAC Rule 1640-01-26-.03.

¹⁰ TSAC will consider an appeal for missing the Promise application deadline for extreme circumstances (e.g., a high school experienced a power outage on the days leading up to the application deadline, a student was hospitalized for an extended period of time, etc.).

Exhibit 2: Despite the COVID-19 pandemic, Promise cohort 6 was the largest to enroll in college since the program began in fall 2015



Notes: (1) The cohort year corresponds with students’ graduation year from high school and the fall semester in which they enrolled in college as part of the Promise program. For example, cohort 6 graduated from high school in spring 2020 and enrolled in college as Promise students in fall 2020. (2) The community service requirement, which is due in the summer after high school graduation, was waived for cohort 6. (3) The 529 students from cohort 6 who enrolled in fall 2021 as a result of gap year eligibility are not included in Exhibit 2 because enrollment figures for the 2021-22 academic year will not be finalized by THEC until fall 2022. Source: Tennessee Higher Education Commission *Tennessee Promise Annual Report 2021*, Tables 2 and 3.

Cohort 7 applied for Promise and filed the FAFSA at lower rates than previous cohorts.

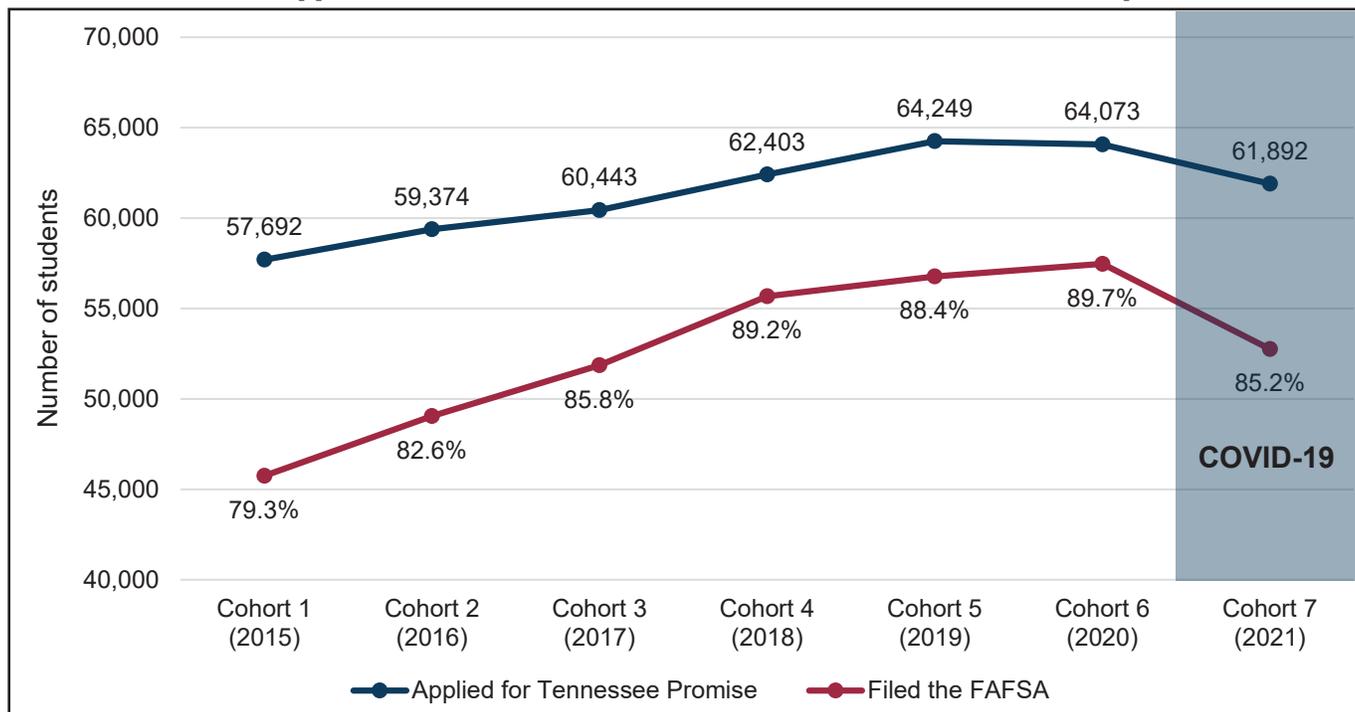
As shown in Exhibit 3, fewer students applied for the Promise program in cohort 7 than the previous three cohorts. For the first five years of the program, the number of high school seniors applying for the Promise program increased annually. Cohort 5 had the highest number of applicants in fall 2019 (64,249) followed by a slight decrease of 176 fewer students applying for the program in cohort 6 (64,073). In cohort 7, 61,892 high school seniors applied for Promise in fall 2021, a decline of 2,181 students from the previous year.

Additionally, a lower percentage of Promise applicants from cohort 7 filed the FAFSA than the previous four cohorts. For the first six years of the Promise program, the percentage of Promise applicants filing the FAFSA increased annually, reaching 89.7 percent for cohort 6. In cohort 7, 85.2 percent of Promise applicants filed the FAFSA, a 4.5 percentage point decrease from the previous year.

Cohort 7 appears to have enrolled in college at lower rates than previous cohorts. According to preliminary data, 15,357 students enrolled in fall 2021 as Promise students. (THEC will publish finalized data for cohort 7 in fall 2022.)

Although participation rates declined for cohort 7, extending the application and FAFSA filing deadlines by one month likely resulted in more high school seniors applying for the program and remaining eligible than would have otherwise.

Exhibit 3: Cohort 7 applied for Promise and filed the FAFSA at lower rates than previous cohorts



Notes: (1) The cohort year corresponds with students' graduation year from high school and the fall semester in which they enrolled in college as part of the Promise program. For example, cohort 7 graduated from high school in spring 2021 and enrolled in college as Promise students in fall 2021. (2) As indicated by the blue shaded region on the exhibit, the COVID-19 pandemic did not impact the Promise application or FAFSA requirements for cohort 6. The application is due in the fall of the senior year of high school and applicants are required to file the FAFSA by the following February, both of which occurred for cohort 6 prior to the start of the pandemic in March 2020.

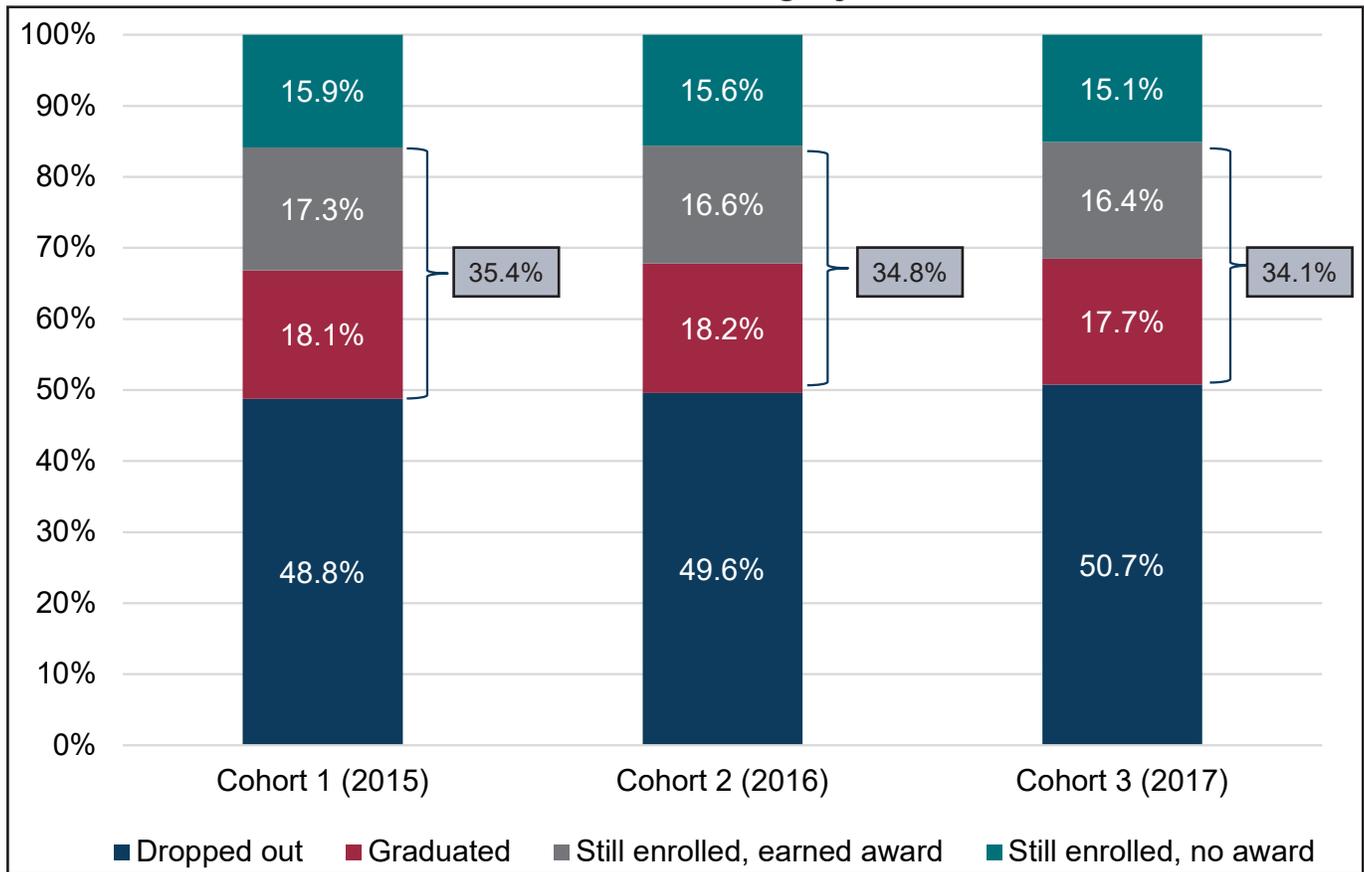
Source: Tennessee Higher Education Commission *Tennessee Promise Annual Report 2021*, Tables 2 and 3.

Promise student success rates declined slightly across the first three cohorts.

The percentage of Promise students who dropped out before earning a credential increased slightly from cohort 1 to 3. Exhibit 4 shows Promise student outcomes six semesters (or three years) after they initially enrolled in college as part of the Promise program.¹¹ About half of cohort 3 (50.7 percent) dropped out of college before earning a credential compared to 49.6 percent of cohort 2 and 48.8 percent of cohort 1. At the same time, the percentage of Promise students who earned a credential within three years declined by 1.3 percentage points. About 34 percent of cohort 3 earned a credential after three years compared to 35.4 percent of cohort 1. Finally, the percentage of Promise students who remained enrolled without having earned an award declined by nearly a percentage point, from 15.9 percent for cohort 1 to 15.1 percent in cohort 3.

¹¹ As long as they meet program requirements, Promise students remain eligible for the program until they earn a credential or five semesters (2.5 years) have passed, whichever occurs first. Exhibit 4 measures success after six semesters, or three years, which is a reasonable length of time to measure graduation rates for students enrolled in at least 12 credit hours per semester at a community college, where most Promise students enroll.

Exhibit 4: Promise student success rates declined slightly across the first three cohorts



Note: Percentages may not add up to 100 percent due to rounding.

Source: Tennessee Higher Education Commission, *Tennessee Promise Annual Report 2021*, Figures 7, 8, and 9.

Tennessee Promise Completion Grant pilot began fall 2021.

Public Chapter 512 (2021) established a four-year pilot program to provide completion grants to eligible Promise students who have an “immediate financial need . . . or a financial hardship, that may prevent the student from completing a postsecondary degree or credential.” The pilot program is funded by a \$1 million non-recurring appropriation and the total grants awarded shall not exceed \$250,000 per year.¹²

The completion grants are administered by the Tennessee Promise mentor organizations, tnAchieves and the Ayers Foundation.¹³ Students may request a completion grant to cover the cost of food, housing, transportation, college-related technology, books, supplies, or special course fees.¹⁴ OREA’s 2020 *Tennessee Promise Evaluation* found that Promise students spend an average of \$1,150 annually on textbooks, fees, tools, and supplies not covered by the scholarship and that the cost of such items impedes the academic success and persistence of Promise students.¹⁵

THEC is required to submit an annual report on the outcomes of the pilot program. The first report is due by December 31, 2022.¹⁶

¹² Public Chapter 512, 2021; Public Chapter 454, 2021, Section 63, Item 13.

¹³ The Ayers Foundation serves Promise students in 12 counties and receives \$33,000 annually for four years. tnAchieves serves Promise students in the remaining 83 counties and receives \$217,000 annually for four years.

¹⁴ The Tennessee Promise scholarship covers the cost of tuition and mandatory fees. It does not cover the cost of books, special course fees, supplies, transportation, or living expenses.

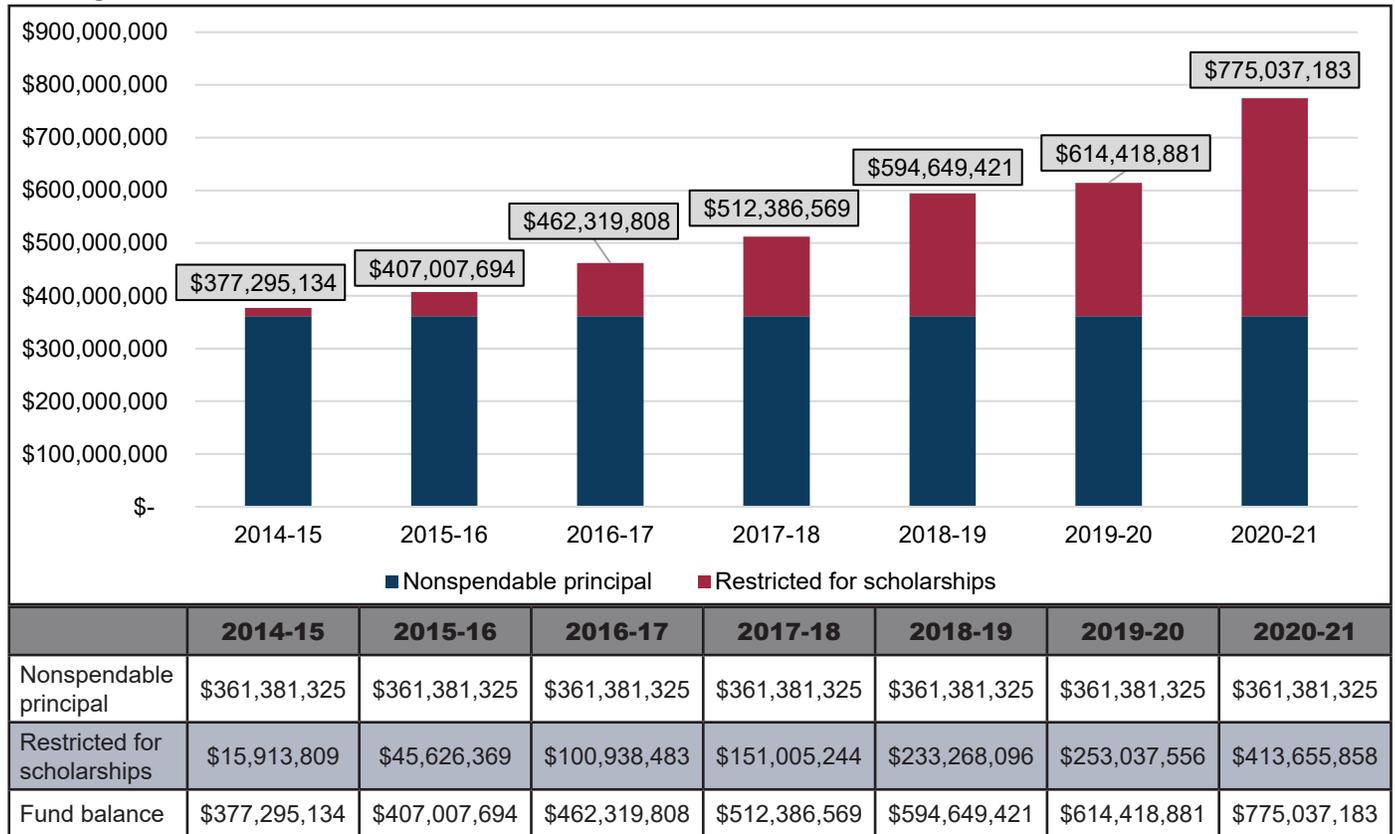
¹⁵ In 2019, OREA invited administrators from all 13 community colleges to participate in an online survey. According to survey responses, 75 percent of community college administrators stated that the cost of textbooks, fees, tools, and supplies not covered by Promise impede the academic success and persistence of Promise students enrolled at their institution “often” or “very often.”

¹⁶ Public Chapter 512, 2021.

The Tennessee Promise endowment totaled over \$775 million at the end of fiscal year 2021.

Tennessee Promise scholarships are funded by the Tennessee Promise Endowment Fund. The \$361 million principal of the fund, which is designated as nonspendable (i.e., required to be maintained intact), was established by Public Chapter 900 in 2014. Funds from the endowment are invested annually by the State Treasurer; any revenue above the \$361 million nonspendable principal is available for scholarship payments and administrative costs. From 2014-15 to 2020-21, the amount of funding available for scholarships increased by about \$398 million, with the total fund balance increasing from \$377.3 million to over \$775 million. See Exhibit 5.

Exhibit 5: The Tennessee Promise Endowment Fund totaled over \$775 million at the end of fiscal year 2021



Source: OREA analysis of Tennessee Promise Scholarship Endowment Fund Balance Sheets.

The endowment was created with the intention that it become self-sustaining (i.e., its annual investment earnings would be enough to cover the cost of scholarships each year), so that scholarship funding would not depend on annual state budget allocations. The State Treasurer manages the Tennessee Promise Endowment Fund and was not able to provide an estimate for when the Promise endowment will be self-sustaining. According to a Department of Treasury official, the Promise endowment relies heavily on three factors: (1) scholarship payments, (2) investment return, and (3) excess lottery funds. All indications are that the Promise endowment still needs lottery transfers in the near term, according to the same Treasury official.

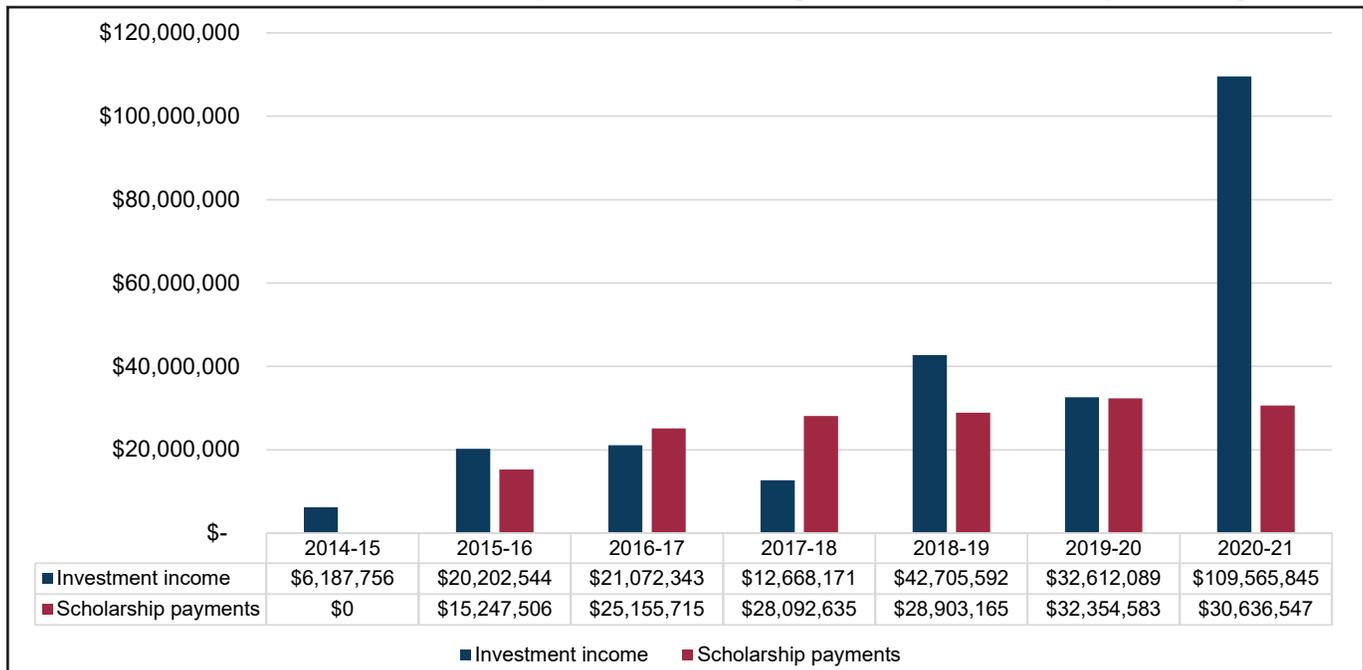
Exhibit 6 compares annual investment income to scholarship payments.

From 2015-16, the first year that Tennessee Promise scholarships were awarded, through 2020-21, the fund's investment earnings exceeded the cost of scholarships in four out of the six years. In two years, the opposite was true. In 2016-17, the fund paid about \$4.1 million more for scholarships than its investment earnings,

and in 2017-18, the fund paid more than double the amount it accrued from interest. According to the Department of Treasury, the poor returns in 2017-18 were due to unfavorable conditions that affected most investments across the market. Because unspent funds from previous years remain in the endowment year over year, however, the fund had enough money to cover the full costs of scholarships in those two years.

In 2020-21, the fund accrued a considerable amount of investment income – \$109.6 million – compared to an average of \$22.6 million in previous years. According to the Department of Treasury, investment decisions and favorable market conditions resulted in the higher than usual investment return.

Exhibit 6: In fiscal year 2021, the Tennessee Promise Endowment Fund accrued \$109.6 million from investment income compared to an average of \$22.6 million in previous years



Source: OREA analysis of Tennessee Promise Scholarship Endowment Fund Balance Sheets.

Tennessee is currently on track to meet the Drive to 55 goal, but current efforts may not be enough to keep the state on track to achieve the goal by 2025.

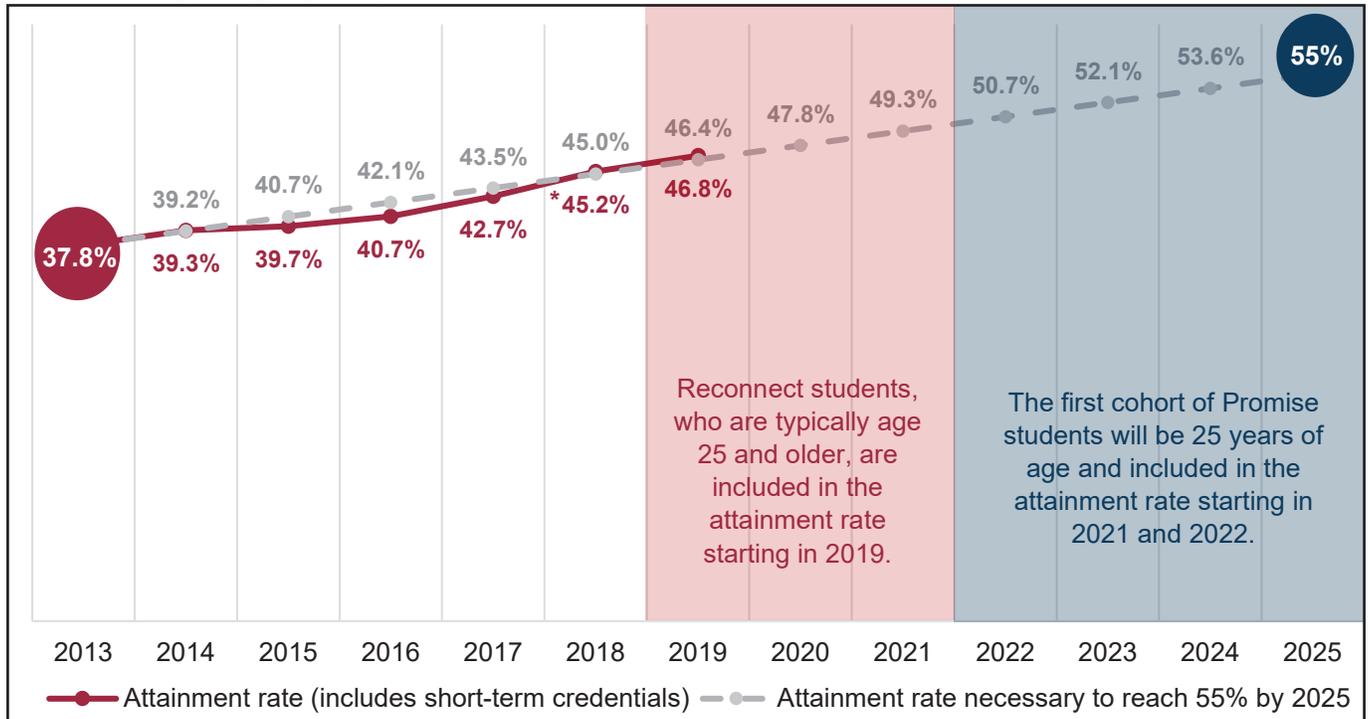
The Tennessee Promise Scholarship is one program in the state’s Drive to 55 initiative to increase the percentage of Tennesseans with a postsecondary credential to 55 percent by 2025. Progress toward this goal is measured using the attainment rate. Tennessee’s attainment rate measures the percentage of Tennesseans ages 25-64 (also called working-age adults) who have a postsecondary credential (e.g., technical certificate or diploma, associate degree, bachelor’s degree, etc.).¹⁷ Other Drive to 55 programs include Tennessee Reconnect, which is geared toward adults without a college degree, and TCAT Reconnect, which is also available to eligible adult students.

Based on the most current data available, Tennessee’s attainment rate is 46.8 percent, which is 0.4 percentage points higher than the projected rate necessary to meet the Drive to 55 goal. See Exhibit 7. Since 2013, the most significant increase in Tennessee’s attainment rate occurred between 2017 and 2018 (2.5 percentage point increase). This is due in part to a change made to the attainment rate calculation. The Lumina Foundation, which tracks Tennessee’s attainment data, began including industry-recognized certifications with

¹⁷ The attainment rate is measured for residents over the age of 24 because younger Tennesseans are more likely to be working toward a credential and most are still dependents of their parents.

the 2018 calculation of state attainment rates.¹⁸ Prior to 2018, the rate calculation was limited to technical certificates and diplomas and associate degrees or higher (e.g., bachelor’s degrees, master’s degrees, etc.). Tennessee was not on track to meet the Drive to 55 goal prior to the 2018 calculation change, with annual attainment rates falling below projections from 2015 through 2017.

Exhibit 7: The percentage of Tennesseans (ages 25-64) with a postsecondary credential (red line) is slightly above the projected rate necessary for the state to stay on track to meet the Drive to 55 goal (gray line)



Notes: (1) *The increase in 2018 was due in part to a change made to the attainment rate calculation. In that year, the Lumina Foundation began including industry-recognized certifications. (2) Reconnect students are included in the attainment rate earlier than Promise students because Reconnect students are often over the age of 24 and are counted in the same year that they earn a credential. Some students complete a postsecondary credential shortly after enrolling in the Reconnect program. These students already have most of the necessary credits to earn a credential and use Reconnect to complete the remaining courses they need to finish their program of study. (3) Short-term credentials include certificates and industry-recognized certifications. The Lumina Foundation began including certificates in the attainment rate calculation in 2014 and industry-recognized certifications in 2018. The 2013 attainment rate shown in this exhibit was included in the Tennessee Higher Education Master Plan 2015-2025.

Sources: OREA analysis of data from the Tennessee Higher Education Master Plan 2015-2025 and the Lumina Foundation.

The second highest increase (an increase of 1.6 percentage points) occurred between 2018 and 2019. This was the first year Reconnect students were included in the attainment rate, as shown in the red box in Exhibit 7.¹⁹ By contrast, students who participate in Tennessee Promise are not reflected in the attainment rate until 2021, as shown in the blue box in Exhibit 7. (Promise students generally turn 18 during their senior year of high school and are not included in the attainment rate until they reach the age of 25, which typically occurs six or seven years after graduating from high school.)

The attainment rate will likely continue to increase as new cohorts of Promise and Reconnect students earn credentials. However, trends in Drive to 55 program participation and college enrollment indicate that current efforts may not be enough to maintain the projected rate necessary to achieve the Drive to 55 goal by 2025. The college-going rate has been declining since 2017 (as shown in Exhibit 1), the number of students applying for Promise has decreased since 2019 (as shown in Exhibit 3), and Promise student success rates have slightly declined across the first three cohorts (as shown in Exhibit 4). Additionally, OREA’s 2022 *Tennessee Reconnect*

¹⁸ Industry-recognized certifications are typically awarded based on assessments of knowledge and skill, have ongoing maintenance requirements, and are awarded by third-party organizations. For example, the American Welding Society administers tests for individuals to become a Certified Welder (CW). The CW test assesses welders on procedures used in the structural steel, petroleum pipelines, sheet metal, and chemical refinery welding industries. In contrast, certificates, diplomas, and degrees recognize the completion of an academic program of study and are awarded for life by an educational program or institution.

¹⁹ Reconnect students, who are generally over the age of 24, are counted in the attainment rate the same year they earn a credential. Some Reconnect students already have most of the necessary credits to earn a credential and use Reconnect to complete the remaining courses they need to finish their program of study.

Grant Evaluation found that the number of Tennesseans applying for the Reconnect Grant, participating in the program, and remaining enrolled and on track to graduate has decreased since the program began in 2018.²⁰

OREA anticipates releasing its next evaluation of the Tennessee Promise Scholarship in 2024.

²⁰ The first Reconnect cohort included 41,830 applicants, while the second cohort included 26,560 applicants. As of fall 2020, the third cohort included 22,790 applicants. This represents a 45 percent decrease from 2018 to 2020. In the first application cycle, 41 percent of applicants enrolled. Twenty-nine percent of applicants in cohort 2 enrolled in the program. In fall 2020, 24 percent of applicants enrolled in the program. In the first two years of the program, one in four Reconnect students (26 percent) lost grant eligibility because they did not maintain one or more program requirements.



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